

Message Text

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ACTION COME-00

INFO OCT-01 EUR-12 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01

CIAE-00 EPG-02 DODE-00 EB-07 FPC-01 H-01 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

OES-07 SP-02 SS-15 STR-04 TRSE-00 ACDA-07 PRS-01

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P R 140818Z JUN 77

FM AMEMBASSY BUCHAREST

TO SECSTATE WASHDC PRIORITY 3816

AMCONSUL MUNICH

C O N F I D E N T I A L BUCHAREST 4383

E.O. 11652: GDS

TAGS: EEWT, RO

SUBJECT: ISLAND CREEK/ROMANIAN COAL CONTRACT

REF: BUCHAREST 3958 (NOTAL)

1. A JUNE 128 OCCIDENTAL PETROLEUM COMPANY PRESS RELEASE ANNOUNCED SIGNING IN BUCHAREST THAT DAY OF "A DEFINITIVE COAL CONTRACT BETWEEN ROMANIA AND ISLAND CREEK" PROVIDING FOR ADVANCE PAYMENT FOR 14 MILLION TONS OF COAL BY ROMANIA. SEPARATELY, OCCIDENTAL AND GOR OFFICIALS SIGNED AGREEMENT "WITH THE POTENTIAL OF JOINT VENTURES IN" A) SECONDARY RECOVERY OF ON-SHORE OIL; B) OFFSHORE DRILLING; C) EXPLORATION AND EXPLOITATION; D) SHALE OIL RECOVERY; E) COAL GASIFICATION AND LIQUEFACTION F) CHEMICAL AND PLASTIC VENTURES; AND G) A FERTILIZER EXCHANGE WHICH WOULD POSSIBLY INVOLVE THIRD COUNTRIES.

2. COAL CONTRACT IS SUBJECT TO APPROVAL OF GOR AND OCCIDENTAL'S BOARD OF DIRECTORS AND RECEIPT OF U.S. I.R.S. TAX RULING. BOTH PARTIES ARE EXPECTED TO APPROVE CONTRACT WITHIN THIRTY DAYS OF CONTRACT SIGNING. ISLAND
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CREEK OFFICIALS OVLD CHARGE AND COMATT THAT ALL OUTSTANDING COAL CONTRACT ISSUES (I.E. THOSE MENTIONED IN REFTEL SUCH AS SHIPPING, COST ESCALATION, ETC.) WERE RESOLVED.

3. COMMENT: ACCORDING ISLAND CREEK OFFICIALS, \$53 MILLION ADVANCE PAYMENT WILL BE PRORATED OVERLIFE OF CONTRACT

IN PARTIAL PAYMENT FOR COAL. CURRENT COST DIFFERENTIAL BETWEEN COST AND MARKET PRICE BEING AROUND \$63/TON). ONCE ISLAND CREEK BUCHANAN COUNTY MINE IN FULL PRODUCTION (ABOUT 5 TO 7 YEARS FROM NOW), ROMANIA WILL BE RECEIVING

AROUND 38 PERCENT OF MINE'S ANNUAL OUTPUT. SOME COAL WILL BEGIN TO BE SHIPPED FROM THE MINE TO RTXIGFVA BEGINNING IN 1980. ON QUESTION OF SHIPONG, GOR FUTY COGNIZANT OF RESTRICTIONS ON ACCESS TO HAMPTON ROADS. WHILE CONTRACT TERMS ARE NOT F.O.B. (WHICH WAS ISLAND CREEK'S ORIGINAL POSITION), GOR WILL BE RESPONSIBLE FOR PAYING INCREASED COSTS IF PORT OF BALTIMORE USED INSTEAD GA HAMPTON ROADS. ISLAND CREEK OFFICIALS ALSO BRIEFED GOR OFFICIALS ON POSSIBILITY OF EVENTUALLY USING MOBILE, ALABAMA AS A FEASIBLE (I.E. ON COST BASIS) ALTERNATIVE TO HAMPTON ROADS. JUNE 11 SIGNING CEREMONY ATTENDED BY DPXLPATAN, RBFT PRESIDENT VOLOSENIUC AND HOST OF OTHER GOR OFFICIALS. PATAN WAS VISIBLY PLEASED WITH CONTRACT SIGNING. VOLOSENIQ INDICATED THAT DURING HIS UPCOMING VISIT TO NEW YORK FOR JULY JOINT ECONOMIC COUNCIL MEETING, HE WOULD BE DISCUSSING FINANCING FOR CONTRACT (PRESUMABLY WITH COMMERCIAL BANKS TO COVER SOME OR ALL OF ROMANIAN \$53 MILLION ADC NCE PAYMENT FOR COAL.) VIETS

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Message Attributes

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Capture Date: 01-Jan-1994 12:00:00 am
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Sent Date: 14-Jun-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Executive Order: GS
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SAS ID: 2166977
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